

Issue 101: INSIDER'S EDGE: Do Tax Refunds Count Towards MAGI?

With a little over a month left in tax season, many consumers applying for benefits or renewing their Medicaid coverage have filed their taxes for 2014. One question on the minds of many is whether their federal tax refund should be reported as part of their modified adjusted gross income (MAGI).

The short answer: No. Federal tax refunds do *not* count towards MAGI.

All the snow storms have you feeling a little foggy on the ins and outs of what counts under MAGI? Clear away the confusion and check out the details below for a quick refresher on the basics.



The Basics: MAGI

The guidepost for determining MAGI is IRS Form 1040, U.S. Individual Tax Return. When considering what income must be reported for MAGI, applicants should look at lines 7 through 21 on Form 1040. For the most part, any income *not* counted as income on lines 7 through 21 will *not* be part of MAGI. (Remember, deductions from MAGI are drawn from lines 23 through 35).

$$\begin{aligned} &\text{Adjusted Gross Income (1040, line 37)} \\ &\quad + \text{Foreign income} \\ &\quad + \text{Tax exempt interest} \\ &\quad + \text{Non-taxable Social Security benefits} \\ &= \text{MAGI} \end{aligned}$$

There are a few other special considerations when it comes to calculating MAGI for Medicaid eligibility determinations that I won't get into detail on today, but don't forget:

- Scholarships, awards, or fellowship grants used for education purposes and not for living expenses: NOT included in MAGI
- Certain American Indian and Alaska Native income derived from distributions, payments, ownership interests, real property usage rights, and student financial assistance: NOT included in MAGI

- An amount received as a lump sum is counted as income: Only counted towards household's MAGI during the ONE MONTH it is received. **(Remember, federal income tax refunds are *not* counted towards MAGI and are not considered a lump sum payment.)**

A Closer Look: What Counts Under MAGI?

So what are some of most common types of income that *do* and *don't* count under MAGI?

Counts	Does NOT Count
Taxable wages/salary (before taxes are taken out) <i>Exclude pre-tax contributions to dependent care accounts, transportation accounts, flexible spending accounts, and retirement accounts</i>	Temporary Assistance to Needy Families (TANF) and other government cash assistance
Self-employment (profit once business expenses are paid)	Child support received
Social Security benefits	Supplemental Security Income (SSI)
Unemployment benefits	Veterans benefits
Alimony received	Worker's compensation payments
Most retirement benefits	Proceeds from life insurance, accident insurance, or health insurance
Interest (including tax-exempt interest)	Federal tax credits and Federal income tax refunds
Net capital gains (profit after subtracting capital losses)	Gifts and loans
Most investment income, such as interest and dividends	Inheritances
Rental or royalty income (profit after subtracting costs)	
Other taxable income, such as canceled debts, court awards, jury duty pay not given to an employer, cash support, and gambling, prizes, or awards	
Foreign earned income	

Additional Resources

- Modified Adjusted Gross Income under the Affordable Care Act fact sheet, http://laborcenter.berkeley.edu/pdf/2013/MAGI_summary13.pdf
- [Issue 30: INSIDER'S EDGE: DOs and DON'Ts—MAGI is back!](#)
- [Issue 33: INSIDER'S EDGE: MAGI—What Can You Deduct?](#)
- [Issue 35: INSIDER'S EDGE: Reporting Income, Round 2](#) (addressing scholarships, student loans, gifts, and child support)
- [Issue 44: INSIDER'S EDGE: Disability Payments—Is it Income?](#)
- [Issue 53: INSIDER'S EDGE: Whose income is it? Social Security Benefits for Kids](#)
- [Issue 64: INSIDER'S EDGE: Veterans' Benefits](#)
- [Issue 73: INSIDER'S EDGE: Social Security Income & MAGI](#)
- [Issue 74: INSIDER'S EDGE: Workers' Compensation....Is It Income?](#)
- [Issue 78: INSIDER'S EDGE: Social Security Benefits Revisited](#)

See you next week! Have a question? Send it my way, dhmh.medicaidmarge@maryland.gov.